



Entergy

Entergy Arkansas
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Little Rock, AR 72203
Tel 501 377 4000

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SENT BY OVERNIGHT MAIL

June 26, 2003

Ms. Deborah Taylor Tate, Director
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Tennessee Regulatory Authority Docket No. 03-00405
Entergy Arkansas, Inc. (EAI) Request for Approval to enter
into certain financing transactions during the years 2002
through 2003

Dear Ms. Tate:

In follow up to our letter dated June 19, 2003, attached are the original and thirteen copies of the Arkansas Public Service Commission (APSC) Staff testimony of Johnny Brown filed in APSC Docket No. 03-093-U on June 23 2003, and APSC Order No. 1 issued June 26, 2003, granting EAI's application for approval to increase limits previously approved in APSC Docket No. 01-221-U and TRA Docket No. 01-00830 for first mortgage bonds during years 2002 through 2003.

If you have any questions or need additional information, please do not hesitate to call me at (501) 377-5489.

Sincerely,

William R. Morgan
Manager, Regulatory Affairs

Attachments

JUN 23 2 52 PM '03

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE APPLICATION)
OF ENTERGY ARKANSAS, INC. FOR)
AUTHORIZATION TO ENTER INTO)
CERTAIN FINANCING TRANSACTIONS)
BETWEEN JULY 1, 2003 AND DECEMBER)
31, 2003)

DOCKET NO. 03-093-U

PREPARED TESTIMONY
OF
JOHNNY BROWN
FINANCIAL ANALYST
FINANCIAL ANALYSIS SECTION

ON BEHALF OF THE GENERAL STAFF
OF THE ARKANSAS PUBLIC SERVICE COMMISSION

JUNE 23, 2003

1
2 **INTRODUCTION**

3 **Q. Please state your name and business address.**

4 A. My name is Johnny Brown. My business address is the Arkansas Public Service
5 Commission (Commission or APSC), 1000 Center Street, Little Rock, Arkansas, 72201.

6 **Q. Please describe your present position with the Arkansas Public Service Commission
7 General Staff (Staff).**

8 A. I am employed by Staff as a Financial Analyst in the Financial Analysis Section. In that
9 capacity I perform economic and financial analysis, including determining the appropriate
10 relative relationship between debt and equity capital and calculating the cost of debt,
11 preferred stock and common equity as components for determining the overall required rate
12 of return for jurisdictional utilities. Additionally, I evaluate proposed debt and equity
13 issuances, mergers, and acquisitions pertaining to the Arkansas jurisdiction, and monitor
14 current economic and market trends and their impact on the cost of capital.

15 **QUALIFICATIONS**

16 **Q. Please describe your education, work experience, and qualifications.**

17 A. I graduated from the University of Arkansas at Little Rock with a Bachelor of Business
18 Administration degree in Finance. For two years I worked in the financial services industry
19 as assistant to the investment manager at a local investment management firm. My duties
20 consisted of securities analysis, portfolio modeling, compiling and reporting the financial
21 statements of the company, quarterly billing, and managing the monthly payroll tax
withholdings. As my experience progressed, my responsibilities were expanded to include

1 the evaluation of investment portfolios to ensure that valuation and performance
2 characteristics were maintained based on the personal needs of the client and other economic
3 and financial factors. Additionally, I was heavily involved in the fundamental and technical
4 analysis used to evaluate capital markets and specific securities in order to make informed
5 investment decisions.

6 During the time I have been employed by Staff, I have attended several regulatory
7 training seminars, including the NARUC Annual Regulatory Studies Program at Michigan
8 State University, and the Utility Regulatory Training presented by the Center for Public
9 Utilities of New Mexico State University. I have also attended the annual Financial Forum
10 sponsored by the Society of Utility and Regulatory Financial Analysts, of which I am a
11 member.

12 **PURPOSE OF TESTIMONY**

13 **Q. What is the purpose of your testimony in this proceeding?**

14 **A.** The purpose of my testimony is to address the Application of Entergy Arkansas, Inc. ("EAI"
15 or the "Company") and the Direct Testimony of Steven C. McNeal filed with this
16 Commission on June 19, 2003. The Company is requesting an \$80 million increase in its
17 authorization to issue and sell additional First Mortgage Bonds granted in Order No. 2 of
18 Docket No. 01-221-U on November 28, 2001.

COMPANY REQUEST

Q. Briefly describe the Company's financing request.

A. The Company is requesting authorization to issue and sell one or more series of its First Mortgage Bonds from time to time not earlier than July 1, 2003, and not later than December 31, 2003. These bonds shall be considered to be an extension of the amount of First Mortgage Bonds granted in Docket No. 01-221-U and shall not exceed the sum of \$80 million.

The Application indicates EAI is likely to reach the \$660 million limit for new First Mortgage Bonds by July 2003. Currently, EAI has issued \$450 million of First Mortgage Bonds under Order No. 2 in Docket No. 01-221-U. By the end of June 2003, EAI plans to issue an additional \$115 million principal amount of bonds to refinance bonds due August 1, 2005. EAI has outstanding \$175 million of First Mortgage Bonds 7% series, due October 1, 2023. An opportunity exists for the Company to continue to reduce its interest expenses, if granted authority on an expedited basis to issue additional long-term debt. An \$80 million increase in EAI's authorization for the issue of First Mortgage Bonds approved by Order No. 2 in Docket No. 01-221-U is necessary to permit all of the \$175 million First Mortgage Bonds to be refinanced and to achieve maximum savings for EAI.

Q. Did the Company identify advantages of the proposed financing?

A. Yes, on pages 9 and 10 of his testimony, Mr. McNeal describes the Company's belief that by taking advantage of the current low interest rates and high demand for First Mortgage Bonds in the capital markets, it will be able to lower its interest costs.

RECOMMENDATIONS

Q. Please summarize your recommendations.

A. I recommend EAI's request for authorization to issue and sell one or more series of its First Mortgage Bonds from time to time not earlier than July 1, 2003, and not later than December 31, 2003, for purposes of refinancing existing securities, be approved. These bonds shall be considered to be an extension of the amount of First Mortgage Bonds granted in Docket No. 01-221-U and shall not exceed the sum of \$80 million. By taking advantage of current capital market conditions, EAI should be able to lower its overall financing costs to the benefit of both the Company and the ratepayers. However, nothing in my testimony in this docket represents a finding of value for ratemaking purposes, and I recommend that the Commission reserve the right to examine the appropriateness of any financing costs in the context of a rate case.

Q. What specific reporting requirements do you recommend?

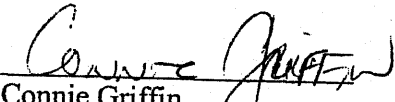
A. I recommend the reporting requirements established by Order No. 2 in Docket No. 01-221-U be applicable to the additional authorization sought in this docket.

Q. Does this conclude your testimony?

A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served on all parties of record by forwarding the same by first class mail, postage prepaid, this 23rd day of June, 2003.


Connie Griffin

JUN 26 2 53 PM '03

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE APPLICATION)
OF ENTERGY ARKANSAS, INC.)
FOR AUTHORIZATION TO ENTER INTO)
CERTAIN FINANCING TRANSACTIONS)
BETWEEN JULY 1, 2003 AND)
DECEMBER 31, 2003)

DOCKET NO. 03-093-U
ORDER NO. 1

ORDER

On June 19, 2003, pursuant to Ark. Code Ann. § 23-3-103, et. seq. and Rules 4 and 5 of the *Rules of Practice and Procedure of the Arkansas Public Service Commission*, Entergy Arkansas, Inc. (EAI or the Company) filed an application for authorization to enter into certain financial transactions between July 1, 2003 and December 31, 2003. With its application, EAI also filed the direct testimony of Mr. Steven C. McNeal. On June 23, 2003, Mr. Johnny Brown, Financial Analyst for the General Staff of the Commission (Staff), filed prepared testimony in response to EAI's application.

EAI requests authorization from the Commission to issue and sell in one or more series, from time to time not earlier than July 1, 2003, and not later than December 31, 2003, First Mortgage Bonds in an aggregate principal amount not to exceed \$80 million, in addition to any amounts of such bonds already authorized to be issued and sold pursuant to Order No. 2 in Docket No. 01-221-U. The proceeds will be used to refinance existing securities.

Order No. 2 in Docket No. 01-221-U authorized EAI to issue \$660 million in First Mortgage Bonds between January 1, 2002, and December 31, 2003. The Direct Testimony of EAI witness Mr. McNeal indicates that due to the existence of relatively low interest rates, the Company has been able to issue First Mortgage Bonds with greater flexibility, better terms, and lower rates than previously issued securities. The Application states it now appears that EAI is likely to reach the \$660 million limit for new First Mortgage Bonds by July 2003. The Application further provides that EAI has issued \$450 million of First Mortgage Bonds under Order No. 2 in Docket No. 01-221-U. By the end of June 2003, EAI plans to issue an additional \$115 million principal amount of bonds to refinance bonds due August 1, 2005, and has outstanding \$175 million of First Mortgage Bonds 7% series, due October 1, 2023. The Application identified the opportunity for the Company to continue to reduce its interest expenses, if granted authority on an expedited basis to issue additional long-term debt. An \$80 million increase in EAI's authorization for the issue of First Mortgage Bonds approved by Order No. 2 in Docket No. 01-221-U would permit all of the \$175 million First Mortgage Bonds to be refinanced and maximum savings to be achieved, according to the Company.

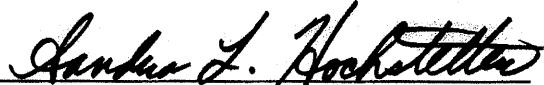
From its review of EAI's application, while reserving any finding for purposes of ratemaking, Staff recommends that the Commission approve EAI's application subject to the same reporting requirements established by Order No. 2 in Docket No. 01-221-U.

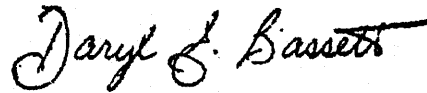
IT IS, THEREFORE, ORDERED that while expressly reserving for future consideration any finding regarding the appropriate ratemaking treatment of any

of the issues for which approval has been requested, EAI's application is hereby approved, subject to the specific representations made by EAI in the testimony of Mr. McNeal and the reporting requirements recommended by Staff.

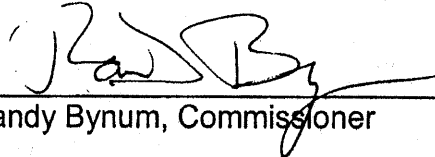
BY ORDER OF THE COMMISSION.

This 26th day of June, 2003.

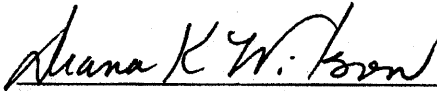

Sandra L. Hochstetter, Chairman



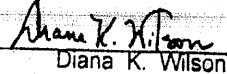
Daryl E. Bassett, Commissioner



Randy Bynum, Commissioner


Diana K. Wilson
Secretary of the Commission

I hereby certify that the following order issued by the Arkansas Public Service Commission has been served on all parties of record this date by the U.S. mail with postage prepaid, using the address of each party as indicated in the official docket file.


Diana K. Wilson

Secretary of the Commission
Date

6/26/03